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C O N F I D E N T I A L SECTION 01 OF 02 MOSCOW 004483

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E.O. 12958: DECL: 09/12/2017

TAGS: PGOV KDEM PHUM PINR RS

SUBJECT: PRIME MINISTER'S RESIGNS, FIRST DEPUTY FINANCE
MINISTER ZUBKOV NAMED TO REPLACE HIM

REF: MOSCOW 4465

Classified By: DCM Daniel A. Russell. Reasons: 1.4 (b) and (d).

Summary

¶1. (C) On the afternoon of September 12, Prime Minister Fradkov resigned, kicking off the long-expected next phase of Russia's succession process. Putin accepted Fradkov's resignation, which the Prime Minister said he had tendered in order to "give (Putin) full freedom in making decisions, including those concerning appointments." Shortly after Fradkov's announcement, First Deputy Finance Minister Viktor Zubkov was named as Fradkov's successor. Zubkov is well and favorably known to the Embassy, and Embassy colleagues describe him as "charming and an excellent manager with integrity." Zubkov and Putin worked together in St. Petersburg in the early 1990s. The surprise appointment of Zubkov was vintage Putin, and with it he again demonstrated he remains in control and is content for the time being to keep his rapidly-approaching endgame under wraps. End summary.

¶2. (C) The rumors of a cabinet re-shuffle reported reftel became public when the national daily newspaper Vedomosti published on the morning of September 12 a front-page article predicting that Prime Minister Fradkov would resign and would be replaced by First Deputy Prime Minister Sergey Ivanov. The article allegedly quoted well-placed sources in the Kremlin and in Russian financial circles, and noted that Ivanov's public appearances with Putin had become more frequent of late.

¶3. (C) Vedomosti appeared prescient, or extremely well-connected, when, later the same day, Fradkov tendered his resignation. While Fradkov's departure had been expected since at least since last spring, it nevertheless created a stir and re-energized speculation about what the next step in the succession process would be. In the short hiatus between Fradkov's departure and Zubkov's appointment, many predicted that either Ivanov or Medvedev would be appointed. As has often been the case, however, Putin surprised all Kremlinologists by appointing someone whose name had not figured in the succession process, Deputy Finance Minister Viktor Zubkov.

¶4. (C) Zubkov should not be necessarily be considered a transitional figure. Fradkov had been widely seen as a temporary measure when appointed, but in the end held the PM post for three and one-half years.

¶5. (C) Whatever the game plan, and Moscow is swimming in speculation following today's announced changes, the bottom line remains as it has been: that Putin with today's moves has once again shown that he remains in control, and is

content to keep observers guessing as to his ultimate intentions. Today's changes push the President's approaching lame duck status further down the road by both confirming rumors of a government change yet, at this juncture, doing little to backlight his successor. At the same time, Zubkov's appointment is consistent with reports of an on-going allocation of resources among the inner circle. As one of the Putin's original lieutenants from the St. Petersburg External Relations Committee, Zubkov service was been recognized with today's appointment.

¶6. (C) Duma Speaker Boris Gryzlov has announced that all Duma fractions would have an opportunity September 13 to get acquainted with Putin's nominee. The Duma's confirmation of Zubkov is expected on September 14.

Bio Notes

¶7. (C) The Embassy has had considerable contact with Zubkov, all of it positive. Those who have worked with him longest describe Zubkov as an excellent manager, with charm and, apparently, integrity. Zubkov has worked closely with the Justice Department and has lobbied for closer ties with the U.S. Zubkov was the key player in the ultimately successful effort to remove Russia from the Financial Action Task Force black list. He is generally understated, but effective, in meetings, "although he mumbles," colleagues report.

¶8. (C) In addition to his close ties to Putin, which can be traced back to the early '90s, when Zubkov and the President worked in the St. Petersburg government, Zubkov's daughter is married to fellow St. Petersburg, Minister of Defense

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Serdyukov. Before his surprise appointment, Zubkov was thought to be slated for a seat in the Federation Council or as a special advisor to the President. Zubkov will leave his job as First Deputy Minister of Finance and Chairman of the Financial Monitoring Committee for the prime ministership.

Biographical Details

¶9. (U) Born September 15, 1941, in Sverdlovsk Region.
-- 1960 - 1965: Studies at Leningrad Agricultural Institute
-- 1965 - 1967: Soviet military service
-- 1967 - 1985: Various positions at state collective farm "First of May" in Leningrad region
-- 1985 - 1991: Various positions in the Communist Party, the agricultural and food production sectors
-- 1992 - 1993: Deputy Chairman of the External Relations Committee, St. Petersburg
-- 1993 - 1999: Deputy of the State Tax Inspectorate, St. Petersburg
-- 1999 - 2001: Deputy Minister of the Russian Federation for Taxes, Director of the Directorate of the Ministry of the Russian Federation for Taxes, St. Petersburg
-- 2001 - pres.: First Deputy Finance Minister, Chairman of the Committee for Financial Monitoring
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